

ANNOUNCEMENT OF THE IMPLEMENTATION OF THE CROPS (SUGAR) (GENERAL) REGULATIONS, 2020 AND THE CROPS (SUGAR) (IMPORTS, EXPORTS AND BYPRODUCTS) REGULATIONS, 2020 AND PROGRESS OF LEASING OF THE STATE-OWNED SUGAR MILLS

Ladies and gentlemen

1. I would also like to take this opportunity to update you on the progress made on reforms in the sugar sub-sector. Permit me to recap the steps taken and the key milestones that we have reached up to this point.
2. The Sugar Taskforce Report was launched by His Excellency the President in February 2020. Implementation begun immediately thereafter and is now ongoing.
3. A key element of the Task Force Recommendations was the need to stabilise the sugar industry by strengthening the legal framework. To that end, the Ministry drafted and published two sets of regulations: The Crops (Sugar) (General) Regulations, 2020 and The Crops (Sugar) (Imports, Exports and By-products) Regulations, 2020. The general regulations came into force on the 27th May 2020 whilst the import and export regulations came into force on the 10th July, 2020 after going through the necessary processes, that is to say, stakeholder consultations and public participation. The Regulations are available for download by stakeholders and the general public from the website of the Agriculture and Food Authority (AFA) website: www.afa.go.ke. I expect that stakeholders have had sufficient time to familiarize themselves with the Regulations and are ready for the implementation phase.
4. Broadly speaking the Crops (Sugar) (General) Regulations 2020 are wide in scope. They cover all aspects of on registration of growers, out growers' institutions as well as millers and their umbrella bodies. In addition, the regulations cover agreements on sugar and sugar cane products. They also address sugar cane development plans, the milling capacity of millers, the establishment and functions of the sugar cane pricing committees and the implementation of sugar cane testing services and standards.
5. It is our expectation that sugarcane growers will form themselves into institutions registered with Agriculture and Food Authority. This is designed to give growers both formality and visibility. It will also make it easier for farmers to advocate and lobby for their own interests - including for example, for membership to the Sugarcane Pricing Committee. Grower institutions will also make it easier to deliver services to farmers. The National and County Governments are committed to supporting growers in this effort.
6. As with the growers, we expect the millers' umbrella associations to also register with Agriculture and Food Authority. This is not just for their visibility but also for them to more effectively pursue their interests and also have an organised platform through which they can engage other value chain players as well as regulators.
7. Let me also share some practical thoughts with you about the general reforms we are implementing. I don't expect the process we have embarked on to be all smooth sailing. It is never easy or painless to revive a sub-sector such as this which has suffered a myriad of governance, financial and regulatory failures and set-backs. There are vested interests, that is, those who benefit from a chronically weak sugar subsector. They won't be happy with the reforms now underway. The Ministry's approach is to be as inclusive as possible. I believe that a prosperous Sugar sector can

benefit all players. That means that any short-run pain that some stakeholders may experience is more than off-set by large, long term gains for all.

8. The second set of regulations that we have published are those covering imports and exports. On 2nd July 2020, the government temporarily suspended the importation of sugar. The trigger for this action was excess importation of sugar in the first half of the year which led to serious market distortions, one example of which were low sugar prices at factory level. Imports that undermine the local industry and depress farmers' incomes are neither desirable nor sustainable.

9. It is with the aim of safeguarding the local industry and improving the farmers' income that the Ministry gazetted the Crops (Sugar) (Imports, Exports and By-products) Regulations, 2020. These regulations will govern a number of key issues: the registration of sugar importers and exporters, the determination of sugar distribution in the market; the re-packaging and re-branding of sugar consignments as well as curbing contraband sugar.

In order to promote awareness in the sector, I have directed that an abridged version of the regulations be produced in form of guidelines for stakeholders. Importers are advised to study both the regulations and the guidelines as they begin to apply for registration and apply for the annual permits. Going forward, no sugar will be imported or exported outside the framework of these regulations and guidelines.

10. Finally, let me update you on our efforts to attract new investments into the sugar sub-sector. As you are aware, the Ministry received Cabinet approval to invite investors to take long-term leases on the five state-owned Mills: Chemelil Sugar Company Ltd, Muhoroni Sugar Company (In receivership) Ltd, Miwani Sugar Company (In receivership) Ltd, Nzoia Sugar Company Ltd and Sony Sugar Company Ltd. The procurement process for those leases are on track in line with Public Procurement and Asset Disposal Act, 2015. An International Expression of Interest was advertised on 10th July 2020 and will close on 3rd August 2020. Thereafter, we shall send out a Request for Proposal, RFP, to all the firms prequalified at the Expression of Interest stage.

11. Let me take this opportunity to give members of the public the following assurances:

(a) The Ministry is committed to a transparent, credible and accountable process. We want to attract and finally secure only those investors we think serious and worthy enough to partner the government in the revival of the sugar industry in Kenya. I therefore take this early opportunity to invite you all for the public opening of the International Expression of Interest (IEOI) scheduled to take place at the Agriculture and Food Authority Headquarters on 4th August 2020 at 14:00 hrs.

(b) That the Ministry has had excellent consultations with the governors in the sugar belt on this issue and I am happy to announce that there is no impasse between the Governors and the National Government. The leasing process is on course.

Conclusion

12. Let me end on a high note: The future of the sugar industry has never been brighter. We can have a sector that both rewards the farmer and makes sugar affordable to consumers. May I urge all the stakeholders including the members of the public to support this effort.

Thank You.

HON PETER MUNYA, MGH
CABINET SECRETARY, MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES AND
COOPERATIVES